



Controller John Chiang
California State Controller's Office

300 Capitol Mall
Sacramento, CA
95814

916.445.2636

www.controller.ca.gov

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Contact: Jacob Roper

916-445-2636

Chiang Sues Life Insurance Company For Violating Unclaimed Property Law

Insurer ANICO Refuses to Provide Records Required by CA Law

SACRAMENTO - State Controller John Chiang today filed a lawsuit against a Texas-based life insurance company for refusing to turn over records needed to audit the company, which is suspected of failing to pay life insurance benefits to the heirs of deceased policy holders.

"In what appears to be a pervasive industry practice, many insurers are fleecing policyholders by warmly welcoming premiums, while turning a cold shoulder when the time comes to pay," Chiang said. "While seven insurers, to date, have responsibly come forward to work out settlements with my office ensuring that families are made whole, ANICO continues to stonewall the basic legal requirement to open up their books."

The [complaint](#) alleges that American National Insurance Company (ANICO) failed to turn over data needed for the Controller to conduct audits, which will determine whether the company failed to pay deceased policyholders' beneficiaries or turn the proceeds over to be safeguarded in perpetuity by the State Controller's Unclaimed Property program.

Controller Chiang began auditing insurance company practices in 2008, revealing an industry-wide practice of companies failing to pay death benefits to the beneficiaries of life insurance policies, despite having access to federal records indicating that policyholders had died. This information is contained in the "Death Master File" – a database maintained by the Social Security Administration and regularly scanned by companies that sell and administer life insurance policies.

Despite having access to these records – and in many cases, having direct confirmation from family members that the policyholder had passed away – some companies would instead use the policies' cash reserves to continue paying premiums to the company. Once the cash reserves were depleted, the company would cancel the policy, leaving the beneficiaries empty-handed.

Unclaimed property laws have been in place in every state since 1959 to protect private property from being lost during mergers or bankruptcies, drawn down by service or storage fees, or simply used by private businesses. Administered by the Controller, the California Unclaimed Property program generally provides that businesses must send lost or abandoned financial accounts to the State after three years of inactivity. The Controller maintains an unclaimed property database accessible by any California resident to identify all unclaimed property the State has collected on their behalf. The

database is available at www.claimit.ca.gov.

Since 2008, the Controller has conducted audits of more than 40 companies that sold life insurance and annuity products in the United States. However, since the Controller launched his audit of ANICO, the company has steadfastly refused to turn over the information as required by California Code of Civil Procedure, claiming its policies are not subject to the Controller's audits.

"ANICO's obstructive tactics significantly impede my office's ability to identify amounts that are required to be turned over to California for distribution to the rightful owners," said Chiang. "If insurers are unwilling to fulfill their duty to clients and comply with the rule of law, I have no reservation in pursuing every legal option to compel them."

The lawsuit, filed in Superior Court in Sacramento, seeks to prohibit ANICO from continuing to violate the Unclaimed Property Law by refusing to turn over the requested data, and permit a full, complete and timely examination of all of ANICO's books and records. The Controller also asks the court for damages and penalties due to the State, as well as reasonable attorney fees.

To date, Controller Chiang has reached global settlements with seven life insurance companies, returning more than \$143 million belonging to California beneficiaries alone. Under the settlements, the companies have agreed to improve their policies to ensure deceased policy holders are more quickly identified and beneficiaries receive their benefits in a timely manner.

To read more about the Controller's efforts, [click here](#).

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